

Executive Summary

Los Altos School District is a political subdivision of the State of California. The district was founded in 1909 for the purpose of providing a free public education to the residents within the district's geographical boundaries. The district is located in northwestern Santa Clara County. It encompasses most of the city of Los Altos, part of Mountain View, part of Palo Alto, and some unincorporated county lands. There are eight schools, six elementary and two junior high, serving students in grades kindergarten through eight.

Governance. The school district is governed by an elected board of trustees. There are five members of the board, each elected for a four year term. The school board meets twice monthly on the first and third Mondays. District operations are headed by a superintendent, Dr. Margaret Gratiot. Included in this document's appendix is an organizational chart.

Enrollment. The expected enrollment for Fall 1997 is 3,614 students. Enrollment has been increasing at an average of 3% a year for the last ten years. Enrollment is expected to peak at almost 3,900 students in 2001. In 1997-98 there will be 190 teachers. 164 are regular classroom teachers, the rest are specialists (physical education, music, special education, etc.).

Achievement. Students in the district consistently score within the top 2% of all children tested in California. California Assessment Program (CAP) scores in 1992 showed Los Altos students scoring at the 98th or 99th percentile in all grades and in all subject areas. 1997 California Achievement Test (CAT-5) scores, which are nationally-normed, show the average Los Altos student scoring higher than 88% of all students tested nationally.

Budget. The district's fiscal year is from July 1 to June 30, as prescribed for all governmental agencies in the state. The budget for July 1, 1997 to June 30, 1998 (1997-98) totals \$20.3 million. \$19.8 million is in the General Fund, a fund used to record the day-to-day operations of the district. The remainder is in four special purpose funds. The funds and their budgets are shown below.

Fund	1996-97 Expenditures	1997-98 Expenditures	% Change
General	\$19,590,155	\$19,807,052	1.11%
Building	\$114,083	\$22,884	-79.94%
Capital Projects	\$734,850	\$439,850	-40.14%
Deferred Maintenance	\$159,214	\$77,660	-51.22%
Special Reserve	\$0	\$0	
Total	\$20,598,302	\$20,347,446	-1.22%

The budget is built by carrying the same program forward from year to year. Additional special purpose funding or a decision by the board to add or subtract programs can change the budget. There are district established staffing ratios and historically determined

discretionary allocations to program managers. The process of establishing and approving the budget begins in January with the Governor's proposed budget for the state, which is the primary source of funding for schools. District administration prepares the budget details and involves a budget review committee (made up of representative teachers, administrators, other staff, and parents) in the development process. The review committee makes recommendations annually to the school board regarding additions or deletions to the spending plan. In June the board adopts a budget for the upcoming fiscal year. That budget is then monitored and adjusted as needed during the course of the year. The district is required by state law to provide the board with two interim financial reports during the year, which reflect any necessary budget adjustments.

Expenditures. In 1997-98 the district anticipates spending \$5,476 per student. The greatest proportion of this goes to pay classroom teachers. The average teacher costs the district \$58,000, \$47,000 in salary and \$11,000 in benefits. An entry level teacher's salary is \$27,000. The maximum teacher salary is \$56,500. The district spends \$1 million on classroom aides. 62% of the spending goes to pay teacher and aides for direct instruction of students. Other spending categories are shown below.

Category	1997-98 Expenditures	\$ per Student	% of Total
Instructional Salaries	\$12,371,020	\$3,423	62%
Other Salaries	\$4,270,024	\$1,182	22%
Books & Supplies	\$592,449	\$164	3%
Util.'s, Repairs, Other	\$2,182,055	\$604	11%
Capital, Other Outgo	\$391,502	\$108	2%
Total	\$19,807,050	\$5,481	100%

Revenues. The single largest source of funding is the revenue limit. This is a state allocation of general purpose money. For 1997-98 the revenue limit is \$3,400 per student for a total allocation of \$12.9 million. This amounts to 63% of all district revenues. The state also provides substantial special purpose funding, or categorical aid, in the amount of \$2.8 million. The total state aid, combining general and special purpose funds, is 76% of the budget. The California State Lottery contributes 34 cents of every dollar collected to public schools. Los Altos schools will receive \$350,000 in 1997-98 or 2% of the total funding.

Only 1% of total funding comes from the federal government. The balance of funding (21%) is local in nature. The district recently passed a parcel tax (Measure A) which, at \$264 per parcel, generates \$3 million in revenue. The community-supported Los Altos Educational Foundation (LAEF) contributes \$450,000 to the district. These two local sources of revenue are 17% of the total budget and provide the district some measure of local control. Although not a part of the district's financial bookkeeping, individual school PTA's contribute substantially to the district through donations of equipment, materials, landscaping, and innumerable volunteer hours.

Category	1997-98 Revenues	\$ per Student	% of Total
State Aid	\$15,626,833	\$4,324	76%
Lottery	\$350,700	\$97	2%
Federal	\$181,476	\$50	1%
Local (Msre A, LAEF, Other)	\$4,428,868	\$1,225	22%
Total	\$20,587,877	\$5,697	100%

Significant Events

Parcel Tax Election - On June 3, 1997 the voters in the district approved an increase to the district's parcel tax (a per parcel of property assessment). Since 1989 the tax has been set at \$168 per parcel per year. Starting in 1997-98 the assessment has been increased by \$96 to \$264 per parcel. This increase means an additional \$1.1 million of revenue, for a total parcel tax collection of \$3 million. Such community support enables the district to better withstand the vagaries of state funding, which is only for a year at a time and is subject to the political process in Sacramento.

Class Size Reduction program - After several years of reduced state funding due to a recession, the state had sufficient revenues in 1996-97 to fund a new major reform effort. This program, called the Class Size Reduction program (CSR), provided incentive funding to districts who reduced their primary grade class sizes down to 20 or less. The district fully implemented the program in all three funded primary grades (1 - 3). The state provided funding at \$650 per affected pupil, while the program cost over \$800 per pupil to implement. The Governor's proposal for 1997-98 calls for funding to be increased to the \$800 level. It is also possible that funding will be extended to another grade level (for Los Altos, this means Kindergarten). Since that decision awaits the finalizing of the state budget, the district budget does not include such expansion.

State Funding "Windfall" - A robust economy has driven the state out of its recession which prevailed for several years prior to 1996-97. As a result of this recovery, the Governor has proposed giving more monies to schools (the "windfall") than statutorily required. These funds, already incorporated in the budget, will help reduce the funding shortfall from the state (a holdover from the recession years) and increase the per pupil incentive monies for the class size reduction program. In 1996-97 districts were funded by the state at 90 cents for every statutorily required dollar (a deficit of 10%). The governor's proposal reduces that deficit down to 8.5%. While this is "good news" to schools, it must be remembered that there is still a funding deficit and that means an annual loss of \$1.2 million to Los Altos.

1997-1998 BUDGET OVERVIEW

GENERAL FUND REVENUES

The 1997-98 budget presented for adoption to the Board of Trustees on June 24, 1997, is developed in anticipation of a Revenue Limit Cost of Living Adjustment (COLA) of 2.65%. General Fund Revenue estimates in this budget total \$119.6 million.

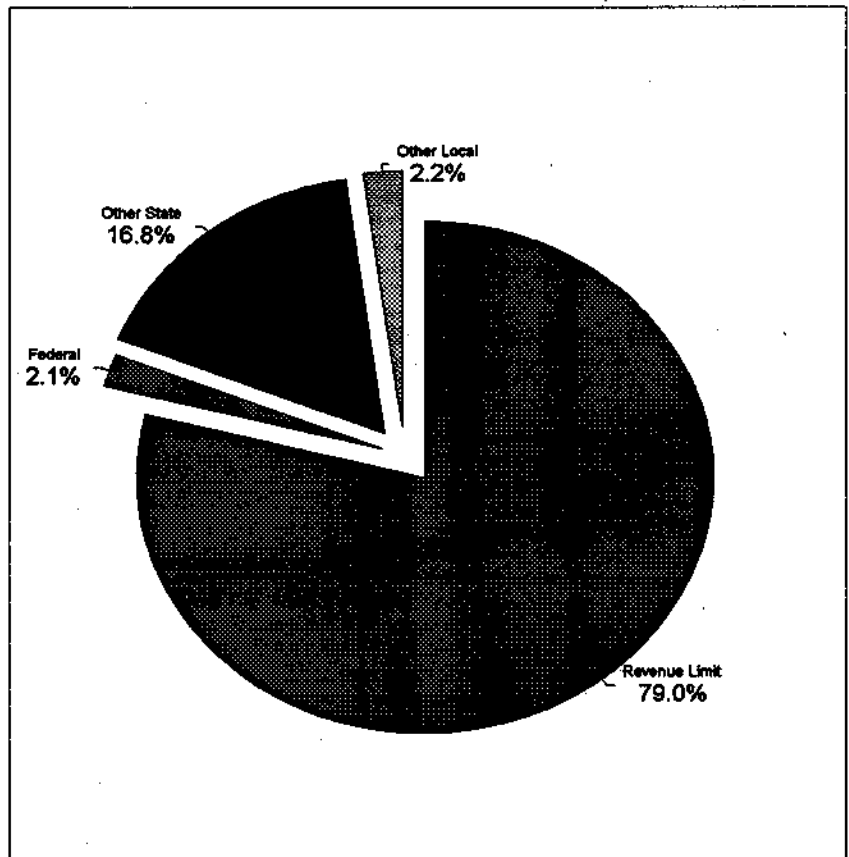
The district's primary income source is Revenue Limit funding, comprised of state aid and property taxes. While Revenue Limit funding is projected to increase 2.65% per ADA, the Revenue Limit deficit has decreased to 8.358%. Each percent of deficit equates to a loss of just over \$1,000,000. The deficit applied to summer school funds is also 8.358%, and the deficit applied to Special Education funds is estimated to be 13.25%.

A large part of the district's income, \$95 million (79.0% of total revenue), will be received from a revenue

limit entitlement funded on a per pupil basis. This income is calculated on an average daily attendance (ADA) basis which is computed by accounting for pupils that are present or marked with an excused absence. Revenue is derived directly from secured and unsecured taxes, homeowners subventions, trailer coach fees, other subventions, and the state principal apportionment. The state principal apportionment accounts for 48% of the District's Revenue Limit income with local property taxes accounting for 52%.

The budgets for both the 1996-97 and 1997-98 years allow the district to project a June 30, 1998, ending balance which meets the 3% minimum reserve level.

Federal revenues for students with special needs account for another \$2.5 million (2.1% of the District's total revenue). Federal assistance funds are provided for specific



General Fund Operating Revenues - 1997/98 Budget

categorical programs. Categorical programs are designed to augment/supplement the regular educational programs of the District.

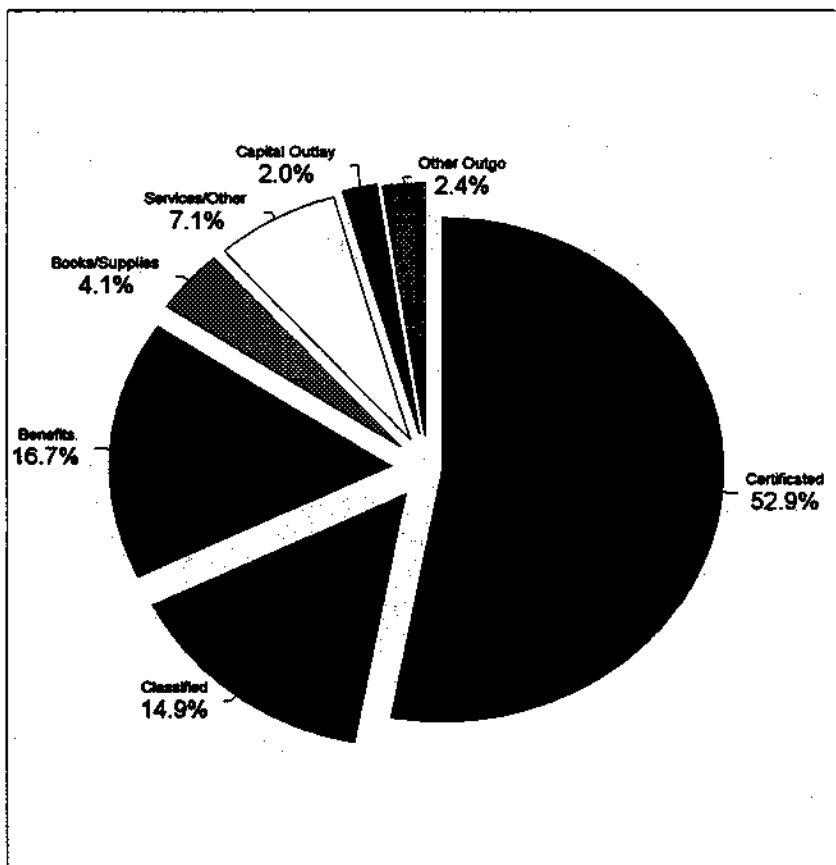
Other State Income accounts for an additional \$20.0 million (16.8%) of total revenue. Much of this income can only be used for restricted programs such as School Improvement, Special Education, and Transportation. The district also collects \$1.75 million from the state to educate district pupils in the North Orange County ROP program. Income from State Lottery receipts is projected to be \$2.4 million (2.0% of total revenue).

An additional \$2.6 million (2.2% of total revenue) will be received from local income, primarily from interest earnings and Redevelopment income. Redevelopment income is budgeted to be transferred to the Special Reserve Fund. Additional revenue comes from donations, local grants/awards, lease and rental income, Transportation activity fees, and other local sources.

GENERAL FUND EXPENDITURES

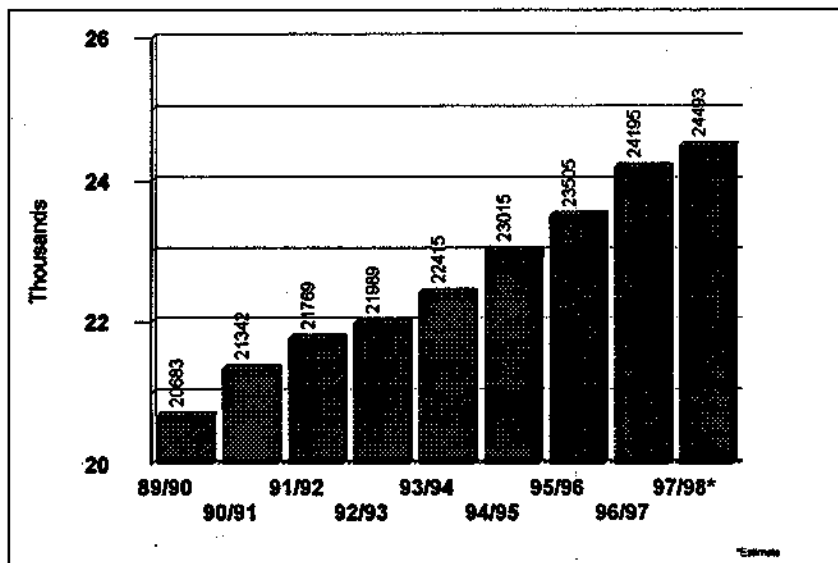
The General Fund is the primary operating fund of the District. The Placentia-Yorba Linda Unified School District's 1997-98 General Fund Budget represents the planned educational program of the District expressed in dollars. General Fund expenditures of

\$112.9 million are appropriated in a plan designed to ensure the highest quality educational programs possible for the coming year. PYLUSD's format for budget development is one in which site and department budgets are developed based on the input of site instructional and support staff. The overall budget development process is assisted by the district's business staff under the direction of the Superintendent. The Business Office staff provides technical support such as ADA projections, income estimates, legislative analysis, and assistance in the



General Fund Operating Expenditures - 1997/98 Budget

administration of all the individual site and department budgets which together comprise the Placentia-Yorba Linda Unified School District Annual Budget.



Historical Average Daily Attendance (1989-1998)

As the expenditure data in the budget indicates, providing education is an extremely labor intensive task. Eighty-five percent of all General Fund operating expenditures is for employee salaries and benefits.

Certificated Salaries include appropriations for the compensation of employees such as teachers, administrators, counselors, librarians and nurses. Certificated

Salaries expenditures are budgeted at \$62.6 million in 1997-98.

Classified Salaries account for the compensation of instructional aides, business office employees, maintenance and operations employees, transportation workers and employees providing clerical support and administrative assistance. Classified Salaries expenditures are projected to be \$17.6 million in 1997-98.

Employee Benefits include expenses for district contributions to employee retirement programs, state unemployment insurance, workers' compensation coverage, as well as health, dental, and vision care. In 1997-98, District expenditures for employee benefits are budgeted to be \$19.8 million, approximately one-sixth of all General Fund expenditures.

Books, Supplies and Other Operating Costs include appropriations of \$4.8 million for purchases of textbooks, resource books, office and instructional supplies, maintenance and operation supplies and transportation department supplies. Restricted funds "carried over" from 1996-97 into the 1997-98 budget from categorical income sources and site budgets will be appropriated after the start of the school year and included at the First Interim Report.

Contracted Services and Other Operating Expenses are budgeted at a total of \$8.4 million in 1997-98. Appropriations within this category are for property and liability insurance coverage, utilities, and copier expenses.

Capital purchase expenditures in 1997-98 are budgeted at \$2.3 million. The majority of these funds are used for new equipment and equipment replacement. Included in Capital Expenditures is a projected debt service payment of \$550,000 for a district-wide phone

system.

Other Outgo, an expenditure category which includes the tuition costs of educating some of PYLUSD's students at special schools outside the District, along with revenues passed through to the ROP, has a budget of \$2.8 million in 1997-98.

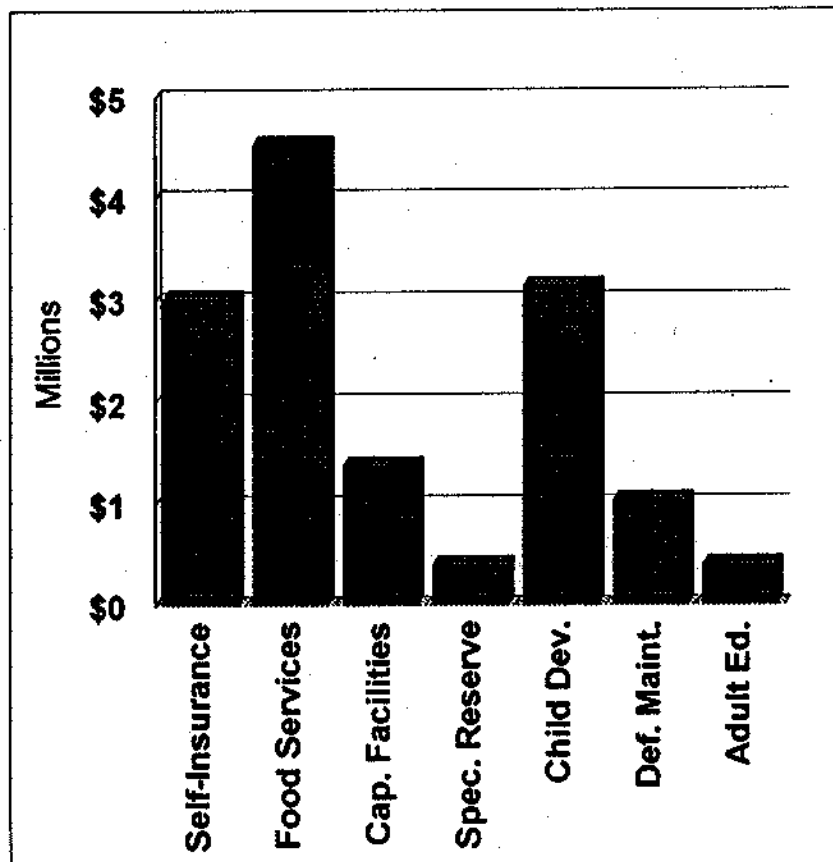
The General Fund is credited \$0.4 million for indirect support from categorical, Child Care and Food Service programs. The indirect cost rate applied to eligible programs is the 1996-97 rate of 6.7%

COMPONENTS OF ENDING FUND BALANCE.

The responsibility of providing an ongoing educational experience rests with the Board of Education. Recognizing this responsibility, the Board has established a number of reserves and designated amounts within the ending balance.

Identified in the Estimated Actual 1996-97 and the budgeted 1997-98 ending balances are: funds reserved for the revolving cash account, for the value of the District-owned stores, an amount for economic uncertainties, lottery reserve as required by board policy; the total amount of funds "carried over" by schools in their site budgets; any unspent one-time apportionments, restricted entitlement funds to be spent the following year, and for future

site expansion in anticipation of additional class size reduction costs.



Other Funds Operating Expenditures - 1997/98 Budget

The Expenditure Budget reflects in dollars a detailed plan to provide a comprehensive educational program to the students of the District. The Board approves all expenditures and appropriations for reserves.

OTHER FUNDS

The General Fund is the main operating fund of the District; however, the Placentia-Yorba Linda Unified School District also operates ten other funds. Two additional funds existed through June 30,